

SOUTHEASTERN LOUISIANA UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED APRIL 5, 2021

**LOUISIANA LEGISLATIVE AUDITOR  
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# Louisiana Legislative Auditor



Southeastern Louisiana University

April 2021

Audit Control # 80200110

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## Introduction

As a part of our audit of the University of Louisiana System (System) and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2020, we performed procedures at Southeastern Louisiana University (Southeastern) to provide assurances on financial information that was significant to the System's financial statements; evaluate the effectiveness of Southeastern's internal controls over financial reporting and compliance; and determine whether Southeastern complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the findings reported in the prior year.

## Results of Our Procedures

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### Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the Southeastern management letter dated March 18, 2020. We determined that management has resolved the prior-year findings related to Inaccurate Reporting of Capital Assets and Inadequate Controls over Reporting Loan Program Information in the Schedule of Expenditures of Federal Awards. The prior-year finding related to Overpayment of Student Financial Assistance has not been resolved and is addressed again in this letter.

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### Current-year Finding

#### Overpayment of Student Financial Assistance

Southeastern did not properly determine if students were eligible to receive student financial assistance, resulting in noncompliance with federal regulations. In its prior audit, which included students awarded financial assistance through the Fall 2019 semester, we determined that Southeastern allowed students to borrow in excess of the aggregate loan limits for Federal Direct Loans (CFDA 84.268). In its current-year audit, we identified six additional students who were allowed to borrow \$14,754 in excess of the aggregate loan limits for Federal Direct Loans and were not corrected timely as follows:

- One student from the Summer 2015 semester totaling \$677
- Four students from the Fall 2019 semester totaling \$13,577
- One student from the Summer 2020 semester totaling \$500

Federal regulations set aggregate limits for subsidized and unsubsidized loans and a student is not eligible to receive funds in excess of these limits. Good internal controls require the university to review students' payment information to ensure that students will not exceed the annual or aggregate loan limits in determining if students are eligible for Federal Direct Loans, are not in default, and do not owe an overpayment on a grant or loan.

Failure to determine eligibility status prior to awarding loans or grants may result in noncompliance with federal regulations and increases the likelihood of disallowed federal funds that Southeastern may be required to return to the federal grantor.

Southeastern should review the query that identifies students who may have exceeded or are close to exceeding the aggregate loan limits on a weekly basis to ensure that students are eligible for all financial assistance received. Management concurred with the finding and provided a corrective action plan (see Appendix A).

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## **Financial Statements – University of Louisiana System**

As a part of our audit of the System's financial statements for the year ended June 30, 2020, we considered Southeastern's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

### **Statement of Net Position**

**Assets** – Cash and Cash Equivalents, Investments, Due from State Treasury, and Capital Assets  
**Liabilities** – Accounts Payable and Accruals, and Bonds Payable  
**Net Position** – Net Investment in Capital Assets, Restricted - Nonexpendable, Restricted - Expendable, and Unrestricted

### **Statement of Revenues, Expenses, and Changes in Net Position**

**Revenues** – Student Tuition and Fees Net of Scholarship Allowance, Net Auxiliary, State Appropriations, and Federal Nonoperating  
**Expenses** – Educational and General, and Auxiliary Enterprises

The account balances and classes of transactions tested, as adjusted, were materially correct.

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## Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2020, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on Southeastern's major federal programs, as follows:

- Student Financial Assistance Cluster
- Higher Education Emergency Relief Fund (CFDA 84.425)

Those tests included evaluating the effectiveness of Southeastern's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether Southeastern complied with applicable program requirements. In addition, we performed procedures on information submitted by Southeastern to the Division of Administration's Office of Statewide Reporting and Accounting Policy for the preparation of the state's Schedule of Expenditures of Federal Awards (SEFA) and on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we reported a finding related to Overpayment of Student Financial Assistance. This finding will also be included in the Single Audit for the year ended June 30, 2020. In addition, Southeastern's information submitted for the preparation of the state's SEFA and the state's Summary Schedule of Prior Audit is materially correct.

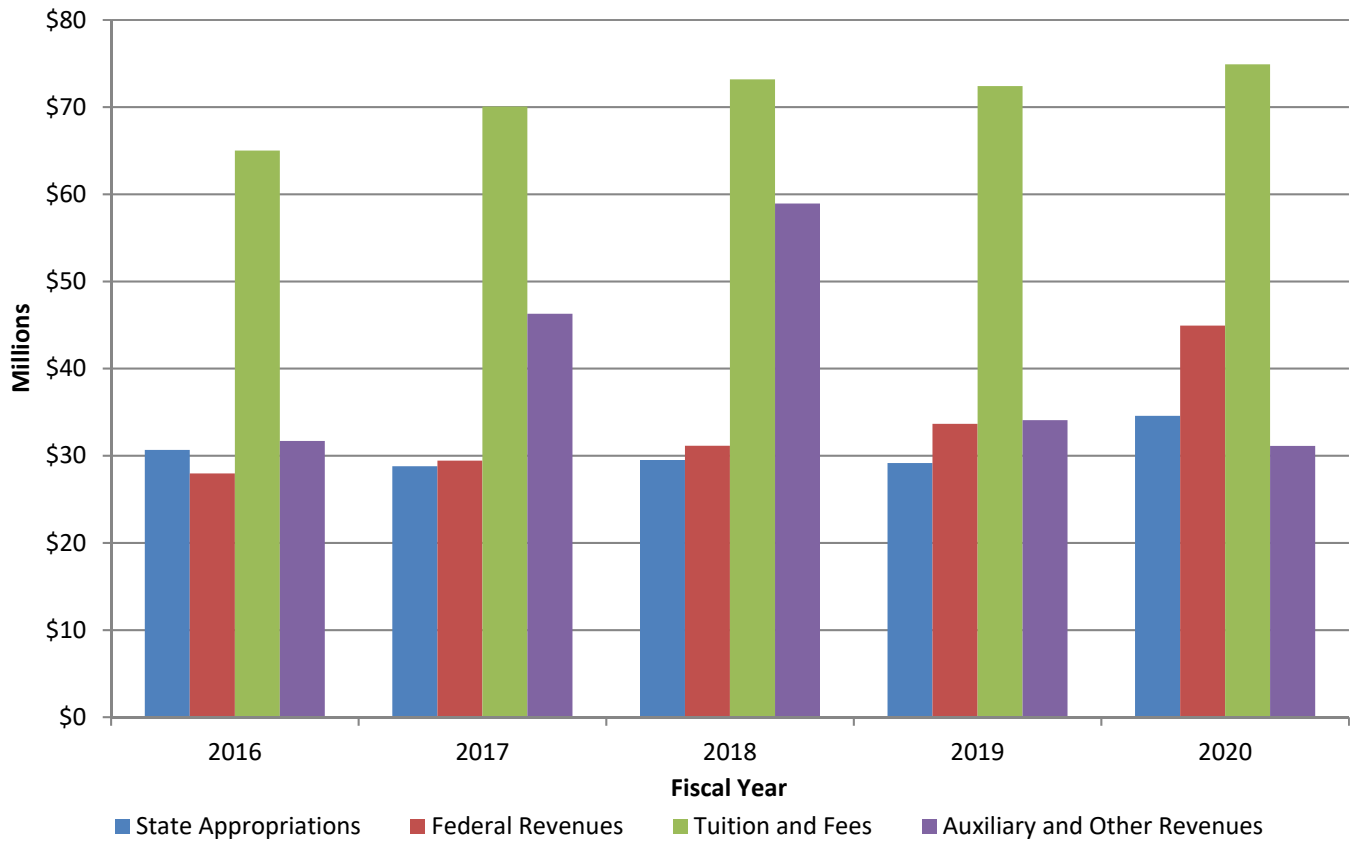
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## Trend Analysis

We compared the most current and prior-year financial activity using Southeastern's Annual Fiscal Reports and/or system-generated reports and obtained explanations from Southeastern's management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the past five fiscal years, as shown in Exhibits 1 and 2.

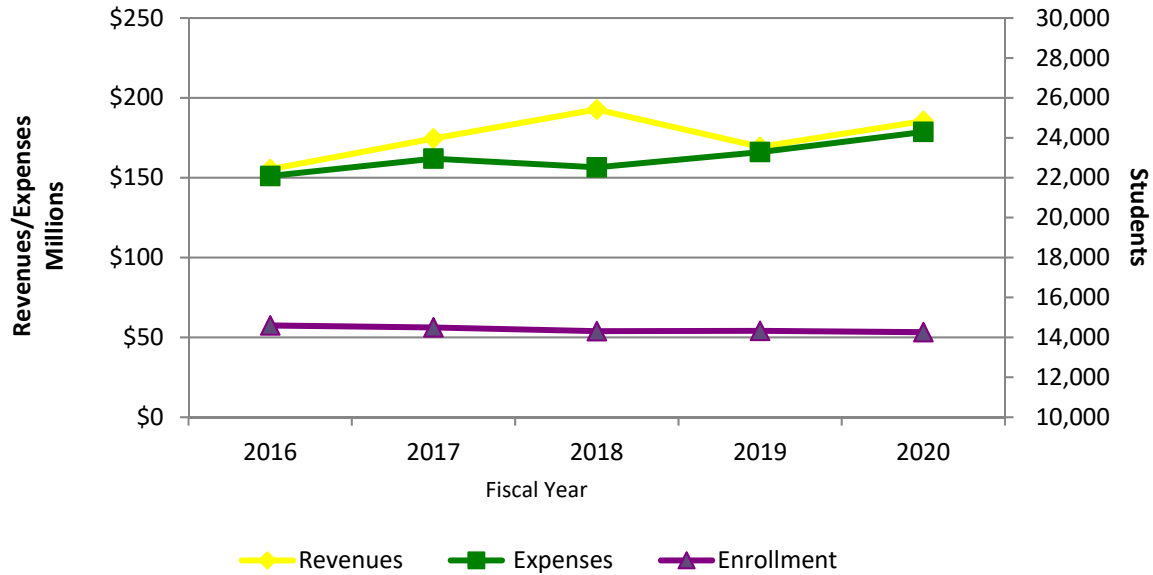
In analyzing financial trends of Southeastern over the previous five fiscal years, student enrollment has remained somewhat steady while revenue and expenses have increased approximately \$30.2 million and \$27.6 million, respectively, from fiscal year 2016 to fiscal year 2020. In fiscal year 2020, Southeastern received approximately \$10.5 million in state and federal Coronavirus Aid, Relief, and Economic Security Act funds as a result of the COVID-19 pandemic which accounts for the majority of the increase in revenues from fiscal year 2019 to fiscal year 2020.

**Exhibit 1  
Five-Year Revenue Trends**



**Source:** 2016-2020 Southeastern Annual Financial Reports

**Exhibit 2  
Fiscal/Enrollment Trends**



Source: 2016-2020 Southeastern Annual Financial Reports

The recommendation in this letter represents, in our judgment, that which will most likely bring about beneficial improvements to the operations of Southeastern. The nature of the recommendation, its implementation costs, and its potential impact on the operations of Southeastern should be considered in reaching decisions on courses of action. The finding related to Southeastern’s compliance with applicable laws and regulations should be addressed immediately by management.

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Thomas H. Cole, CPA, CGMA  
Temporary Legislative Auditor

LMF:ETM:RR:EFS:ch

SLU2020





## **APPENDIX A: MANAGEMENT'S RESPONSE**





December 4, 2020

Daryl G. Purpera, CPA, CFE  
Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Overpayment of Student Financial Assistance

Dear Mr. Purpera:

I am in receipt of a letter dated November 10, 2020 from Edward Martin, Audit Manager, regarding an audit finding related to overpayments of student financial assistance in terms of aggregate loan limits. The University concurs with this finding.

The University first identified and reported this issue in fall 2019. The University then worked with the Legislative Auditors and sought guidance from the U.S. Department of Education on how to resolve the issues. Several corrective actions were implemented to strengthen controls in an effort to prevent issues from being repeated. These corrective measures were fully implemented in early spring 2020.

In the current year audit, one student who exceeded the loan limit by \$500 was identified from summer 2020, after corrective actions had been fully implemented. This over-borrow has been resolved. The other five students identified in the current year audit, whose over-borrows occurred prior to all corrective action being fully implemented, have also been resolved, where applicable.

The University has continued to implement additional corrective actions that will ensure ongoing compliance with Federal regulations as well as correcting specific student accounts that were identified and reported as over-borrows. In addition to what was done in response to last year's audit, the following corrective actions are being taken:

1. The University has worked over the past few months to better understand the system modifications implemented as part of the prior corrective action, including the updates made to the National Student Loan Data System (NSLDS) file loads. When the one student from summer 2020 was identified, it was determined that the system updates made in spring 2020 were not capturing all students, and all updates were not being made as frequently as needed. As a result, additional modifications were made in summer 2020 to ensure system loads were more comprehensive and conducted on a more frequent basis, ultimately minimizing the opportunity for over-borrows to occur. These actions will further ensure, in those situations where a potential over-borrow does occur, the situation is identified and reviewed in a timely manner so that appropriate action is taken to prevent or correct the over-borrow.

2. In order to ensure that system processes are fully supporting internal controls, the University has contracted with a PeopleSoft system consultant to review system processes to identify any deficiencies or areas of improvement as it relates to other system functionality, particularly those impacting internal control systems such as checklists, edit reports, system updates, etc.
3. To help ensure all corrective actions are complete and internal controls are performing as expected, the University will schedule a review of Financial Aid systems and processes by the Internal Auditor for spring 2021.
4. Finally, the University will conduct an additional review of the population of students identified in the prior audit who were at risk of being over-borrowed to ensure there are no other students who received over-borrows that have not been identified and addressed. The University will take appropriate corrective action to resolve any overpayments in accordance with federal regulations. The review process is anticipated to be completed no later than March 1, 2021.

The University continues to acknowledge its responsibility to comply with all federal regulations and will continue to work closely with the Louisiana Legislative Auditors Office and the U.S. Department of Education to ensure ongoing compliance. It is the responsibility of the Chief Enrollment Management Officer to ensure items 1-3 are completed as outlined and documented accordingly. The Vice President for Administration and Finance will work with the Internal Auditor to ensure the work outlined in item 4 is completed.

Sincerely,



Sam Domiano

Vice President for Administration & Finance

## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Southeastern Louisiana University (Southeastern) for the period from July 1, 2019, through June 30, 2020, to provide assurances on financial information significant to the University of Louisiana System (System), and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, were a part of the audit of the System's financial statements and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2020.

- We evaluated Southeastern's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to Southeastern.
- Based on the documentation of Southeastern's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the System's financial statements.
- We performed procedures on the Student Financial Assistance Cluster and Higher Education Emergency Relief Fund (CFDA 84.425) for the year ended June 30, 2020, as a part of the 2020 Single Audit.
- We performed procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards and on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2020, as a part of the 2020 Single Audit.
- We compared the most current and prior-year financial activity using Southeastern's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from Southeastern's management for significant variances.

The purpose of this report is solely to describe the scope of our work at Southeastern, and not to provide an opinion on the effectiveness of Southeastern's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review Southeastern's Annual Financial Report, and accordingly, we do not express an opinion on that report. Southeastern's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.